

Creating Service Value Proposition for Company A

Juliet Leal-Ruokonen

Bachelor's Thesis

Degree Programme in International Business

2013



<p>Author or authors Juliet Leal-Ruokonen</p>	<p>Group or year of entry LIIBBA</p>
<p>Title of thesis Creating Service Value Proposition for Company A</p>	<p>Number of report pages and attachment pages 55 +6</p>
<p>Thesis advisor(s) Suvi Kalela</p>	
<p>The aim of this thesis is to create a value proposition for Company A using the process and tools suitable in delivering its purpose. The study attempts to answer the research question, what is the service value proposition for Company A and its relevance for success? Business today sees the importance of incorporating customer value experience in their offerings which has been beneficial for both the customer and the company.</p> <p>Theoretically, the value experience of the customer is one of the building blocks in creating a value proposition, a profitable strategic marketing activity applied to Company A. Value proposition process using value proposition tools and templates were identified to develop a good value proposition model suitable for Company A.</p> <p>A semi-structured interview was conducted as a qualitative method of gathering data in this research. The customers of Company A, who were the only reliable source in gathering information about customer experiences, were interviewed either by face-to-face or by email.</p> <p>The findings gave a deep insight on the experiences valued by the customers from the service offering of Company A, who were generally satisfied of the service regardless of their individual definition of what standard is. The result also revealed that customers value more time than the cost of a purchase with a great consideration on trustworthiness and reliability of the service provider. Building a good rapport with customers is important using a preferred communication tool that is effective and efficient for both the customer and the company.</p> <p>In conclusion, the value experience of the customers helps the company create and maintain focused activities that serves the customers profitably, that explains the need for Company A to have a service value proposition.</p>	
<p>Keywords service value proposition, service, value, marketing communication</p>	

Table of contents

1	Introduction.....	1
1.1	Overview and purpose of the research	1
1.2	Research Questions.....	2
1.3	Company A	2
2	Value Proposition	3
2.1	What is Value?	3
2.1.1	How to Create Value?.....	5
2.1.2	Four steps in creating a value.....	5
2.2	Concept of Value Proposition.....	6
2.2.1	What constitutes a good value proposition?.....	7
2.2.2	What is not a Value Proposition	8
2.2.3	Value Proposition Process	8
2.3	Creating a Value Proposition.....	9
2.3.1	The Value Proposition Builder Model.....	10
2.3.2	Value Proposition Canvas by Alex Osterwalder	14
3	Service Marketing Communications.....	17
3.1	The Service Value Proposition.....	17
3.1.1	What is Service?	18
3.1.2	Classification of services.....	18
3.2	Sources of Communication Messages.....	19
3.3	Planning service marketing communications	20
3.3.1	The “5 Ws” model	20
3.3.2	The Marketing Communication Mix	21
3.3.3	Communication via Service Delivery Channels	25
3.4	Summary of the theory	27
4	Research on Company A’s value creation.....	30
4.1	Research Method.....	31
4.1.1	Interviews	32
4.2	Reliability and Validity.....	34
4.3	Findings	35
4.3.1	The service value of Company A	36

4.3.2	Communication Mix	46
4.4	Conclusions.....	48
5	Discussion	49
5.1	Suggestions.....	52
	References	53
	Attachments.....	56
Attachment 1.	56
Attachment 2.	57
Attachment 3.	58

1 Introduction

Business today customise their product and service offering according to customer's needs with the company's efficient use of its scarce resources. This is the concept of a value proposition that is referred to as the heart of strategic marketing plan for service business. (McDonald, et al. 2011, 22). For some, if not most, new and small companies tend to oversee the impact of creating a value proposition. To them, this may signal an impression of "they have what it takes in the business", the intimidating thought that they have limited resources and that time is not enough, and it is only for larger companies.

The creation of value proposition does not rely solely on the company's own perception of what the customer wants and needs in answering their problem. The purpose of offering a product or a service is for the use of customers in exchange of income. But it would be more sensible to offer what satisfy the customer and help them answer their problem. Therefore, inorder for the company to understand fully the customers needs it needs to be on their shoes and experience being the customer itself.

Value propositions are concise summary of what the company offers and why are this offer worth buying than the alternatives (McDivitt and Wilkinsons 2012, 154). A well-constructed and delivered value proposition can have a great impact on the success of a company.

1.1 Overview and purpose of the research

The initial purpose of the research is to help a small business to articulate its value proposition and to provide them with necessary tools in identifying the value of its offer that are directly addressing the needs of its customers.

The research is conducted in cooperation with Company A, a small service company soon reaching nearly a year on its operation. The thesis aims to assist Company A in identifying the value of its offer from customers perspective to fully understand and

align its decisions from its internal and external activities. Secondly, this thesis assists the company to create a service value proposition and communicate it to its targeted audience.

The creation of value proposition is an important element in a strategic marketing planning and overall success of the business. The concept of value proposition are easily misinterpreted that it causes misuse not only of the term but the process and outcome itself. That is why the third objective is to clarify the terms and identify what is a right value proposition and what is not. Value proposition is applicable to any size of a company. Company A, thus, would like to take advantage of the importance of a value proposition.

1.2 Research Questions

The thesis will answer the following questions:

1. What is the value proposition for Company A and its relevance for success?
2. Why is there a need for Company A to have a value proposition?
3. What does Company A's value proposition mean for the customers?
4. How will Company A communicate the value proposition to the customers?

1.3 Company A

Company A is a service business doing a cleaning service. It started to operate in 2012 in the areas of Helsinki, Espoo, Vantaa and Sipoo. The household customers are mainly families with children, there were two employees, one part-time field employee doing also the administrative work of the company and the other was a full-time field employee. The continued increase of demand of the service, a new employee recently joined the company.

The service includes the basic responsibilities in a household cleaning and office cleaning which are specified according to the hours required to finish the tasks. The season also dictates the frequency of demand of the service. One-time cleaning and window

cleaning are also included in the services offered upon request. Most recently it added babysitting to its offering.

Company A is a family-owned business, who themselves have experience in the field of cleaning. The business was registered in 2010 but failed to start operating due to difficulties in looking for a customer base and the failure in the process of hiring workers from abroad. In the early of 2012, a network of acquaintances organized their friends to try Company A's service which from then became the company's regular customers who also recommended other friends, neighbours and officemates and goes on.

2 Value Proposition

Value proposition as stated by Lynne Ryals (2011) is a statement of value that the company provides to a customer from its product or service offering. Customers are willing to pay an amount in exchange of a product or service that provide value to them and give solution to their problem.

2.1 What is Value?

Product value or a service value could mean different things to different customers. One may value more the feature of the product or service while the other considers functionality as the solution to his problem. Value therefore, "is a function of intrinsic product features, service and price, and it means different things to different people" (Mullins et. al. 2008, 11).

Customers buy because a certain product or service provides benefit for them. In figure 1, the first step in the buying decision of a customer is the awareness of a *need* and that need calls for satisfaction. The second step is the identifying and weighing of the benefits of the offer. These benefits "vary among customers according to their needs, choice criteria and the importance attached to the product features when choosing models and brands within a product category". Next are the criteria that buyers attach

to the product or service depends on their social image, personal standard, current emotional situations and so on. Fourth is the product or service features is all about their perception of the product like for instance the appearance, the quality, the delivery, the price to name a few. And lastly, customers also consider the brand of a product or the supplier of a service. A good reputation and image is a factor that customers believe and trust in a product or service. (Mullins et. al. 2008, 10).

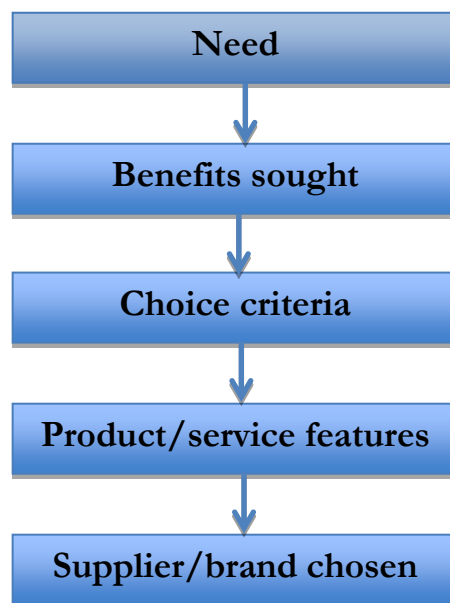


Figure 1. Buying consideration process of Customers (Mullins et.al. 2008,11)

“Value is determined by the net satisfaction derived from a transaction” (Fill 2011, 188). The value that people assign in a product or a service dictates the benefit or the solution that the acquisition provides for them. Costs on the other hand are identified in terms of time, convenience, perceived risk, financial exposure and so on, that are individually defined by customers as it is what the client pay to get the benefits. Therefore, value is equal to benefit minus cost. (Barnes et. al. 2012, 24.)

2.1.1 How to Create Value?

Value is like a measuring gauge for customers that indicates the satisfaction level of a product or service. The expectation and the experience of the customer derived from the use of the offerings provide is a great influence in the satisfaction of a customer. And that in this case satisfaction overweighs the cost in the purchase.

2.1.2 Four steps in creating a value

The ability to understand the need of the customer requires focus on value and be able to find a way that is unique and differentiated to effectively and efficiently meet those needs. The following are the steps how to create a value (MacDivitt and Wilkinson 2012, 25-26):

Step 1. *Understand the customer.* As the famous phrase says, “Every person is unique and different” so as the value requirement of customers. This step requires a deep knowledge and understanding about the customers. Even little information such as their dreams, worries, favourite food or colour for example, opinions and so on are essential in the development of value offerings.

Step 2. *Know your differentiation.* To have a deep knowledge of how and why the company is different among its competitors is essential in identifying its competitive advantages and disadvantages.

Step 3. *Quantify the differentiators.* This is done from the customer’s point of view where revenue gains, cost reductions and emotional contributions are interpreted according to customer’s financial terms.

Step 4. *Communicate the differentiated value.* It is important that the differentiated value is communicated effectively that persuades the customer that the offering is exactly the one that could satisfy their needs

The creation of value determines the company's ability to understand and deliver the benefits that the customer expects from a product or service purchased. According to Doyle, customer value creation states the following (Fill 2011, 188):

1. Customers choose between alternative offerings and select the one that is of best value offer.
2. Customers wants their needs met, not just the features of a product or a service.
3. It is more profitable to have a long-term relationship with customer than a one-off transaction.

Value is created in exchange of transactions as described in a three key dimension in value creation. It is the functional value that refers to the features, performance, reliability, durability, innovativeness of the product. The other dimension is the economic value that is about the time and money that customers are willing to spend in exchange of the product or service that will satisfy their needs. And the last is the emotional value that refers to the feeling or emotion, the sense of affiliation, independence and self-expression that the customer experience upon the acquisition of the product or service. (Sawhney 2010).

2.2 Concept of Value Proposition

To be able to communicate the value of product or service to customer, a method of creating a value proposition is designed. Value proposition is “a clear, compelling and credible expression of the experience that a customer will receive from a supplier's measurable value-creating offering.” Barnes et.al (2012, 28.) It is a statement about the customers' offer and the reason why the purchase of offering should be from the company and not from the competitors. The popularity of the term has led to confusion and misuse. Value proposition is more than just a feature of the product or a service which is a common mistake. In chapters 2.2.1 and 2.2.2 I will further elaborate what is a value proposition and what it is not.

There is wide discussion on the topic of value proposition and suggestive approaches according to known marketers. Treacy and Weirsema present *Value Discipline* in which

company has the opportunity to focus on a selected strategic position relevant for the company. The first of the three approaches is the *product leadership* where it requires the company to be innovative and fast in developing and delivering their product or service in the market. This means that fewer funds are needed for further development since the cycle of the product is short and lesser time for a profitable sale. (Hope and Player 2012, 143.) *Operational excellence* on the other hand requires that the operation is at low cost and high quality for customers who want product and services to be good-quality, reliable and convenient (Kotler and Armstrong 2012, 561). The third approach is the *customer intimacy* which requires the company to tailor its product and services according to the needs of their target customers. In building customer relationship, an intimate knowledge about them provides a detailed data-base that provides an opportunity to customize the product or service for them that they are willing to pay not just in terms of money but their loyalty. (Kotler and Armstrong 2012, 561.)

Anderson, Narus and van Rossum classified value proposition in to three types, all benefits, favourable points of difference and resonating focus. In *all benefits* approach, the company identify all the benefits that their product or service deliver to customers. It might happen that some of the features from the company's point of view are not relevant for the customers. In *favourable points of difference*, the company is aware that the customer has an alternative. This requires a detailed knowledge on the customer's preferences and requirements and then fulfil them rather than assuming what the customer value from the company's offering. The third type of value proposition is *resonating focus* where the company makes their offering superior according to the elements that are valuable for the customers, providing superior performance and communicating it in a way that is understandable by the customers. (Anderson, Narus and van Rossum 2006, 92-94.)

2.2.1 What constitutes a good value proposition?

Barnes, Blake and Pinder (2012, 26) emphasises that when a "value proposition is properly understood and applied by focusing attention on pursuing goals, opportunities and relationships" this will help the company use its resources efficiently. The idea of value proposition constitutes of the following, *capability* that pertains to function and

features of the offer. *Impact* that pertains to the benefits or difference that the company's capabilities can make and *cost* that pertains to the payment risk of such privilege Neil Reckham added *proof* that pertains to the evidence that supports the claim or impact. The product or services are meaningless for customers if it does not relate to their expectation of what was promised that feeds their particular needs. (Barnes et. al. 2012, 28.)

What is not a Value Proposition

Value proposition has been wrongly used that its concept has been misleading, thus the result of attempting to create one is not successful as well as the business itself. Value proposition is not just about the features of the offer or the benefits nor brand essences nor the company positioning statement, it is more specified on the satisfaction of needs of the customers. Value propositions should not be vague, the message should be clear, simple and understandable. The demands of customer for satisfaction is not solely the voice of operation, before business know it, they want even more or different. Value proposition is not a promise of fantasies, the things that are not attainable. (Barnes et. al. 2012, 26.)

2.2.2 Value Proposition Process

A value proposition is one of the message output in value proposition process. The process includes an input, the process and the output as shown in figure 2.2 below. Customer experience, offerings, benefits, cost and risk, price and alternatives are process to achieve new and retained customer, profitable growth, enhanced offerings a corporate through to sales messaging. (Barnes, Blake and Pinder 2012, 22.)

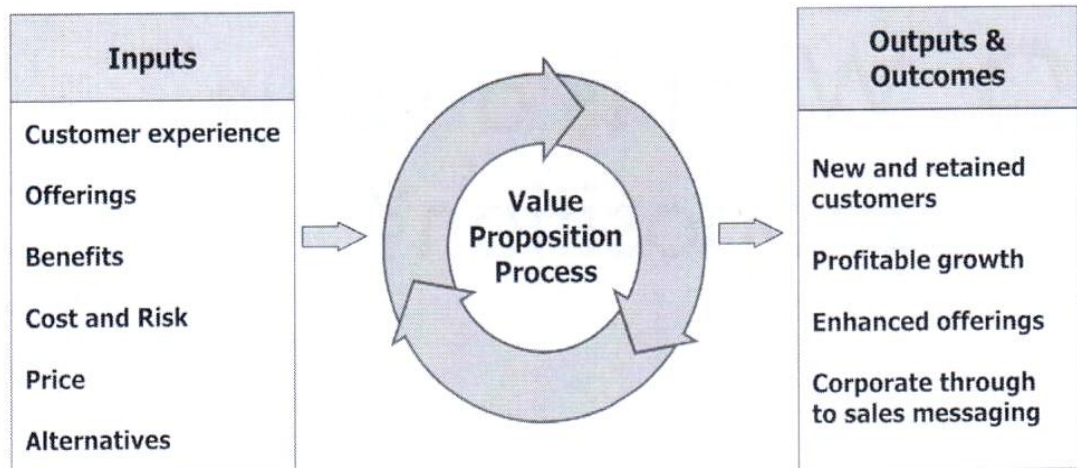


Figure 2. The Value Proposition Process (Barnes, Blake and Pinder 2012, 22)

2.3 Creating a Value Proposition

There are different ways for different companies in creating a value proposition. It is an art of crafting message that gives a clear explanation why the customer has to buy your offering rather than that of another alternative and how you solve their problems. The message or statement could either lead to success or destroy a company. Thus, it is not on the value proposition models, canvas or builders that are used, it is how they are used and applied the right way. There are two value proposition models or canvas presented that can be used as a guide in creating a value proposition namely the Value Proposition Builder model of Barnes, Blake and Pinder (2012) and the Value Proposition Canvas of Alex Osterwalder (2012).

2.3.1 The Value Proposition Builder Model

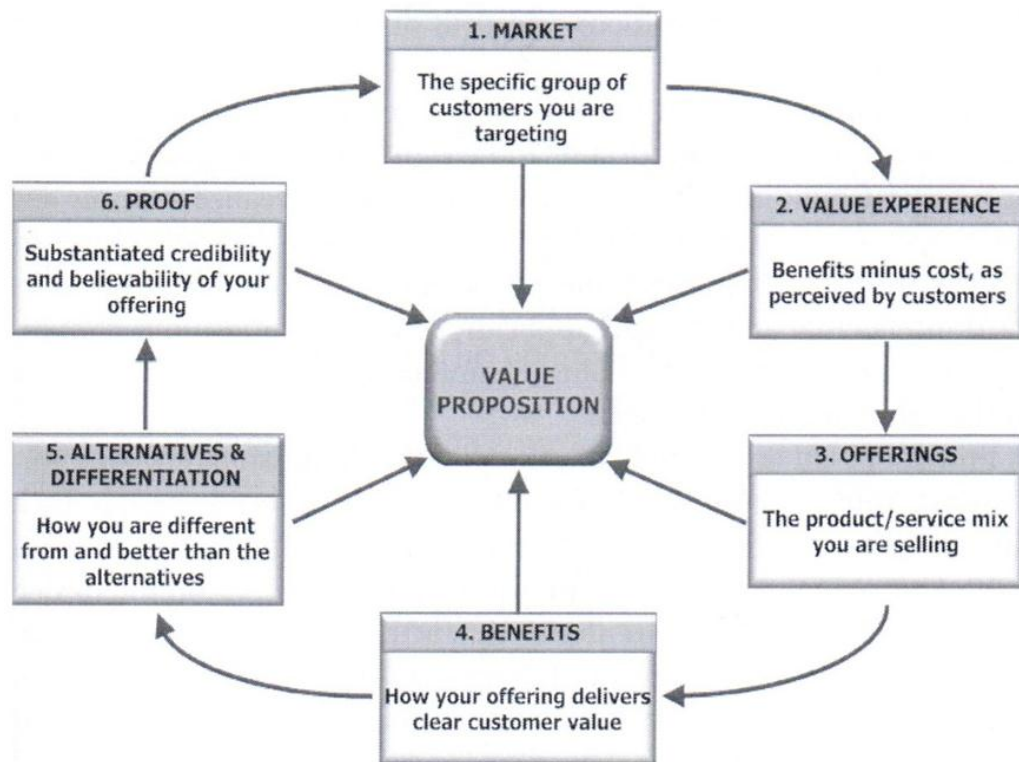


Figure 3. The Value Proposition Builder (Barnes, Blake and Pinder 2012, 31)

The first stage in creating a value proposition is *market*. It is important to identify and have a good understanding about the customers to whom the business is catering its product and services. In this stage, Barnes et. al. (2012, 62) suggest to focus. Having a deep knowledge on what the customer value in an offering opens a gateway to opportunities, tactical use of resources that results to health for the business. When the offerings are processed around what the customer value, customers are more willing to pay the price or even lifetime cost or convenience of purchase. (McDonald, Frow and Payne 2011, 14.)

In defining the market segment, it is first necessary to identify the geographic area where to set the segmentation. Then looking closely how the market operates as well as the decisions involve. Secondly, identify the behaviour of the customers in the market

and lastly looking for the reasons why these specific customers behave the way they do. (McDonald, Frow and Payne 2011, 14.) This is not an easy process, but the end result is worth the time and effort in accomplishing it.

Value Experience is the second stage of the value proposition builder model. True to the saying that beauty is in the eye of the beholder, this also applies to the value a company deliver to their customers. The customer has the final word if the experience from the offering satisfies their criteria of their expectation. This stage requires the company to take a view from the other side and try to visualize the customers' perception about the offer. Surveys and interviews from a number of customers are some ways to gather information in understanding customer experience. This will give significance in the development of value proposition. (Barnes et. al 2012, 67-69.)

The third stage is *offering* where the product and services offered are identified and categorized to understand its lifecycle, threats and the requirements in developing a new offering. It is recommendable to review the profitability of the product or services to rank each offer on their categories if it is for retirement or extension. (Barnes et. al 2012, 85.)

The fourth stage of creating a value proposition is *benefits*. Build statement that corresponds to the experience of value. The interview from customers provides the necessary information in extracting the value they experience from the offerings. These benefits are identified according to the following categories, *expected benefits*, *augmented or additional benefits* and *potential benefits* and then translating them into messages. In expected benefits, customer's wants best possible experience in an offering and it is described as the minimum value experience. Augmented or additional benefit is when these value and benefits are delivered beyond the expectation of the customers, the maximum value experience as called. Potential benefit provides a room for growth as it the suggestion of benefits from the customers. (Barnes et. al. 2012, 87-90.)

Alternatives and Differentiation is the fifth stage in creating a value proposition. The assignment on this stage is to understand the competitors in terms of delivering their value. It is important to bear in mind the competition against value proposition with competitors and not against the competitors' product and services, for technology change quickly unlike the experience of value. Therefore, ensure to refresh offerings and work on superior value experience. (Barnes et. al. 2012, 93-95.) Consider the criteria of importance, distinctiveness, communicability, superiority, affordability and profitability (McDonald, Frow and Payne 2011, 14). To promote one or more benefit does not make any difference if customers' perception of the value of offerings available in the market is not understood and interpreted.

And the last stage in the creation of value proposition is *proof*, provide evidence of the company's claim on its capability and value. There are different kinds of technique in proving the offered value according to Barnes et. al.(2012, 101) and these are by doing case studies, write a book and become a thought leader, develop articles for on and off-line use, publish customer testimonials and by using a value calculator.

After undergoing the value proposition builder process, the next step is to set it out using a Value Proposition template. Figure 4 is the ten-point value proposition template, one of the tools in creating a value proposition.

Ten-point value proposition template	Corresponding areas in figure 3
1. Who is the intended customer?	Market
2. What will be the customer's experience be of the offering and the company and what price will they pay	Value Experience
3. What offering will we create to deliver the intended experience to the intended customer? What purchase or usage of offerings do we want from the intended customer?	Offerings
4. What benefits will the customer derive from the experience and what cost?	Benefits
5. What competing alternatives do the customer have? How are we different?	Alternatives and Differentiation
6. How will we substantiate our ability to deliver the resulting customer experience measurably and specifically?	Proof
7. Over what time frame will the proposition be delivered to the customer?	
8. How will the value proposition be communicated internally and externally?	
9. How will the value proposition be operationalized throughout the business?	
10. How will we measure and monitor the effectiveness of the proposition of our business?	

Figure 4. Ten-point value proposition template (Barnes, Blake and Pinder 2012, 110)

The ten-point value proposition templates is the important information derived from the process of creating a value proposition using the value proposition builder model. The summary is the value proposition statement.

2.3.2 Value Proposition Canvas by Alex Osterwalder

Another interesting Value proposition tool is presented by Alexander Osterwalder which is an extract from the original business model template he developed together with Yves Pigneur and Alan Smith (2010). The primary objective of the Value proposition Canvas is to assist in developing a value proposition that match the customer’s needs, the jobs-to-be-done and give a suggestive solution for their problems (Osterwalder 2012).

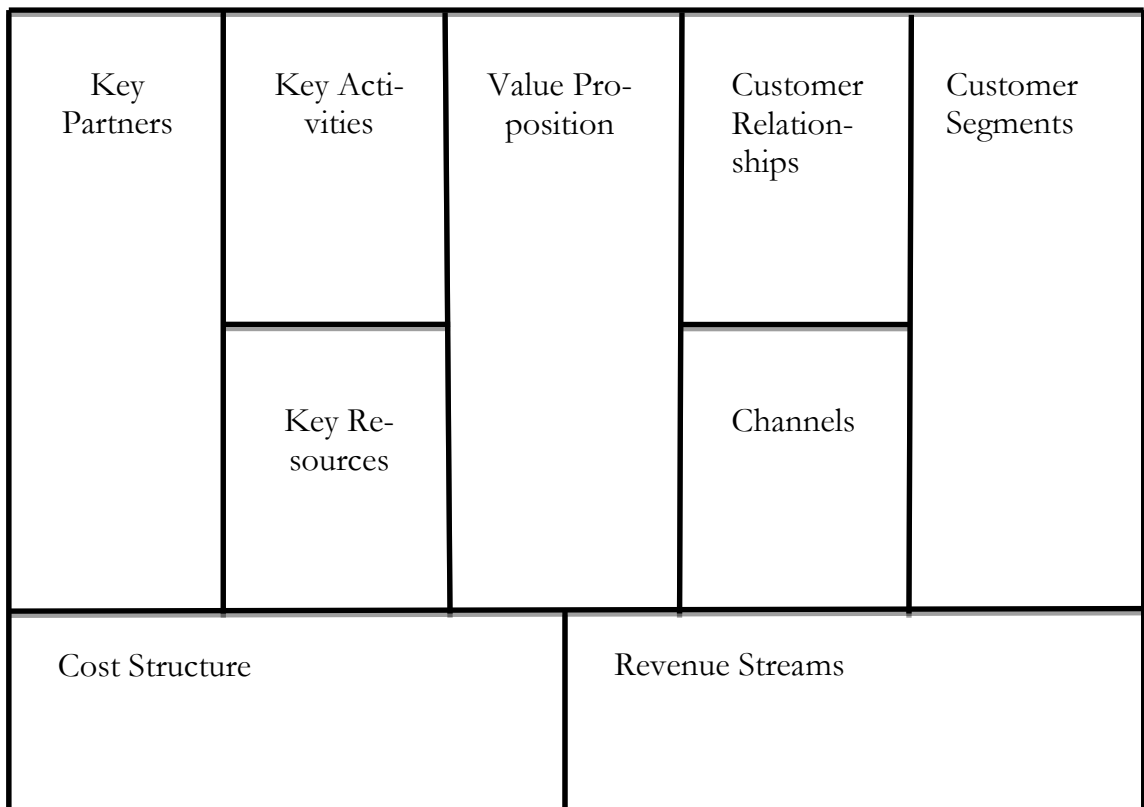


Figure 5. Business Model Canvas (Osterwalder 2012)

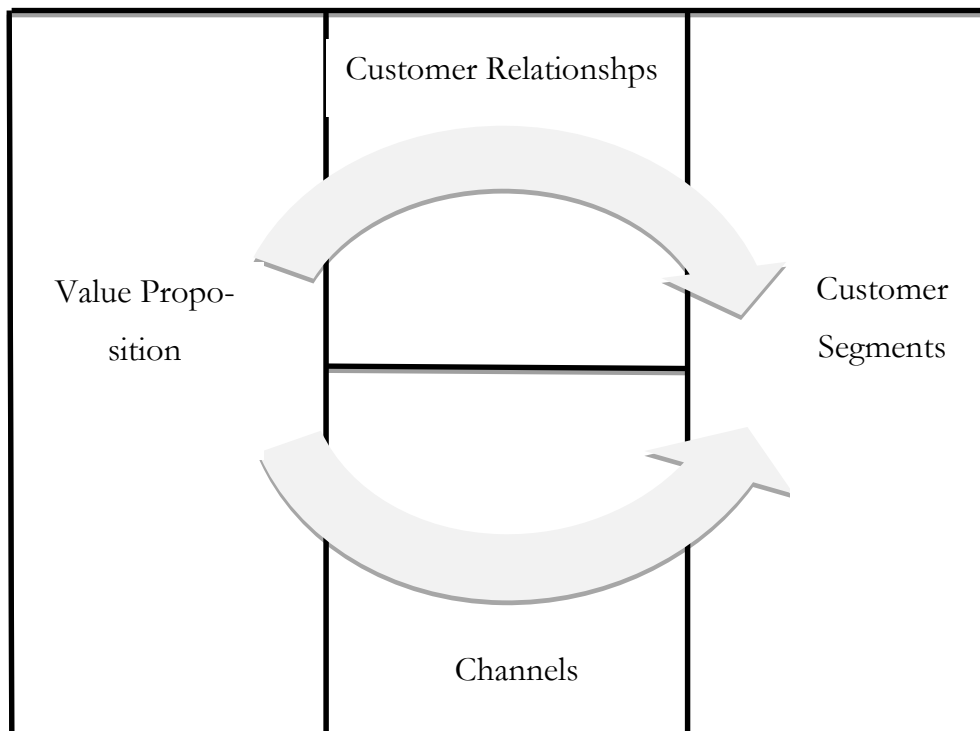


Figure 6. The Value Proposition and Customer Segments blocks from the Business Model Canvas (Osterwalder 2012)

From the business model canvas, value proposition and customer segment are the blocks that should go hand-in-hand shown in figure 5 and figure 6 respectively. The combination is considered to be the heartbeat of the business. The bottom arrow represents the delivery and communication channels used to reach the customers while the upper arrow represents the customer relationships established with customers. (Osterwalder 2012.)

The value proposition canvas is illustrated in attachment 2. In the initial process of the value proposition canvas *customer jobs*, aims to create a customer profile by describing what the customers are trying to accomplish in terms of their problems, tasks or their needs. This is almost similar process described in the first stage entitled Market in the value proposition builder model of Barnes, Blake and Pinder (2012). The difference is

that Alex Osterwalder focuses more on defining customers in this stage while the latter includes defining the market where it operates.

The next of the process *customer pains* are the list on the negative emotions of the customers regarding their situations, the risk from their experiences or risk that they might encounter. Identify also the cost, time and effort they consider in acquiring a product or a service. It is necessary to indicate the intensity of their experience, from very intense to very light as well as its occurrence. (Osterwalder 2012.) It differs from the value experience stage of value proposition builder model in terms of the experience described where Osterwalder's canvas suggests more on negative experiences whereas the former model lists both negative and positive experiences.

Customer gains are about the process of identifying the benefits that the customers expect or desire to experience and be surprised by. Rank according to relevance and indicate the occurrence. The fourth process is called *products and services*, where offerings are categorized according to their importance in satisfying the needs as defined by the customers. *Pain relievers* is the next process. Describe in what way the offering can be of help to the customers in terms of their experience, their negative emotions, risks and situations. Ranking the intensity of the solution and its occurrence is done after identifying the pain relievers. And the final process of the value proposition canvas is called *gain creators* to describe the way offerings provide benefit and solution to customer pains. (Osterwalder 2012.)

There is not a big difference in the process of creating a value proposition using the value proposition canvas by Osterwalder or the value proposition builder model by Barnes et al. The stages are the same and even the task in each process with the same goal of producing a specific data or result that is necessary in creating a value statement. The VP Builder model could be applied for the general process of creating a VP for a company while VP Canvas is applied for individual customer which could be more time-consuming but rather more specific in result and is suggested to be used in conjunction with the Business Model Canvas. In general, the terms of the process and the

illustration of the process is just what make it differ. Otherwise, either canvas or model would result in the creation of a value proposition only if it is used properly.

3 Service Marketing Communications

Communication is an effective way of transferring information or delivering a message about the company, what they offer, when, the how of their activities and a positive or a negative feedback that is essential in the improvement of the offering and the company as a whole. Communication is classified into types according to Grönroos (2007, 304), the traditional marketing function and the interactive marketing process. Both differ on how customers perceive the service quality of the offering. Traditional marketing function is about the expected service which is based from the promise mentioned in the advertisement and sales which is yet to be proved. While interactive marketing process is about the experienced service communicating on the level of “what really is”. (Grönroos 2007, 305.)

Marketing communication tools are important in creating an image and a sense of credibility, confidence and reassurance. Through marketing communication, customers learn about the offer, is confident to get assistance in using the offer, the cost, the benefits its functionality and so on. In addition, marketing communication is also a tool to persuade prospect customers that the service offer is the best solution to their needs and wants when compared from the competing alternatives. Marketing communication is also a way to attract new customers and maintaining contact with existing customers (Lovelock and Wirtz 2011, 186-187).

3.1 The Service Value Proposition

Creating a value proposition for a service company is nevertheless same with manufacturing or product companies. Barnes et. al. (2012, 80) explained that when a process calls for categorizing offerings, try to think temporarily service offering as a tangible offering. That way, it is easier.

3.1.1 What is Service?

Before going further in the next step which is communicating the value proposition which will be discussed in the next chapter, it would be sensible to cover some definition of the term. As defined by Fitzimmons & Fitzimmons(2011, 4),” service is a time perishable, intangible experience performed for a customer acting in the role of a co-producer”. A service has no physical attribute that causes interaction without resulting to any transfer of ownership. Thus, service is intangible, perishable, inseparable and heterogeneous. (McDonald, et al. 2011, 28.) There is certainty of use that is directly or indirectly consumed by the buyer.

3.1.2 Classification of services

The development of services classification framework is credited to Christopher Lovelock who sees that despite the different type of industries, there is still a shared common characteristic. The first of this classification framework is the *nature of the act* which addresses the issues of benefits the service provides to customers, the need of the presence of the latter in the delivery of the service, the change in customer as a result of the service and the place of delivering the service. By considering these issues, the company gains new insights and deliver its service in a convenient or more beneficial way. The second is the *style of relationship* if it is formal or informal. In a formal relationship, it provides more personal information with the customer thus the ease of contact is an advantage as well as when tailoring the offer on their particular needs which is difficult to achieve when less is disclosed. *Customization and judgement* is the third classification of service which addresses the issue on how much a company can tailor its services to meet their needs and the ability of the staff that deliver the service judge the situation. It is important for a service company to cope with the *nature of supply and demand for the service* to act immediately, consider alternative strategies and correct the situation. And the last classification is the *service delivery* where the point of delivery, convenience and interaction between the customer and supplier creates a perception for the former about the quality of the offering. (McDonald et. al. 2011, 29-30.) Classifying services eliminates the barriers among industries, therefore opening the door for comparison and learning.

3.2 Sources of Communication Messages

The messages that business are trying to convey to their customers through communication comes up from four distinctive sources as described by Duncan and Moriarty (Grönroos 2007, 305):

1. *Planned messages.* It is the use of communication media such as TV, direct mail, internet and so on in delivering their planned marketing communications campaign that dictates the customers' buying decisions.
2. *Product messages.* Is about the firm and valuable information about the offering, its features and functions and so on.
3. *Service messages.* It is the interaction between the service employee and the customer that creates messages. The way the service employee present itself in terms of attitude, the manner of delivering the offering, the system and the functions has a great impact on how the customer will respond.
4. *Unplanned messages.* These are messages resulting from the word-of-mouth communication during the interaction of a customer with another customer.

A situation where there is an *absence of communication* usually occurs when there are for instance service failures or unexpected events that is beyond the control of the companies. And when companies do not initiate to inform or give feedback to customers about it, the interpretation of the action from the customers' point of view is negative. This affects the perception of the customers regarding the quality of the service (Grönroos 2007, 306). In this kind of situation, it is better to give information even if it is negative than not at all. The absence of communication as one of the sources of communication messages is suggested by Henrik Colanius. (Grönroos 2007, 306.)

Among the sources of communication messages, planned messages are less reliable since the communication is more about the company by the company. Service messag-

es and unplanned messages are considered to be reliable since it is about what others have to say about the company. When these sources of communication are managed well, consequently it will give a powerful impact in the company's performance.

3.3 Planning service marketing communications

The way to promote value proposition is through communication along with other marketing efforts. It should reach its audience and serve its purpose and not just sit on desktops and collect dusts.

3.3.1 The "5 Ws" model

When delivering messages, it is best to consider the content, the style and structure of the message, the manner of presentation, the medium of communication to use to reach its target audience, the budget, timeframes, market opportunities, competitive activities and methods in measuring and evaluating performance. The following are guidelines in planning service market communications, known as the "5 Ws" model are in question form (Lovelock and Wirtz 2011, 192):

1. *Who* is our target audience?
2. *What* do we need to communicate and achieve?
3. *How* should we communicate this?
4. *Where* should we communicate this?
5. *When* do the communications need to take place?

The **target audience** is identified as the prospects, users and the employees. *Prospects* are the unknown future buyers of the service that are reached through media advertising, public relations, direct mail or telemarketing. Whereas *users* who are currently using the offer are more convenient to reach through direct interaction with employees, text messages, email, direct mail or telephone. *Employees* who contemplate on the message communicated to the users and prospects are motivated to shape their behaviour in

accordance to what is promised to customers. Employees are the secondary audience for communication campaigns. (Lovelock and Wirtz 2011, 193-194.)

Goals should be clear and specific in order to work on communication objectives, communication tools and proper messages to be able to answer what to communicate and what to achieve. Identify the media mix to use among the marketing communication mix that is discussed next in chapter 3.3.2 to be able to answer the third question how to communicate. The location and schedule of communication activities, for question 4 and 5 respectively, demands a high situation specific that will not be addressed. (Lovelock and Wirtz 2011, 193.)

3.3.2 The Marketing Communication Mix

There are different forms of communication that company can select from and use to deliver its message and reach customers. The use of traditional media, the internet and the firms' own service delivery channels. Appendix 1 shows the marketing communications mix of personal communications, advertising, sales promotion, publicity and public relations, instructional materials and corporate design. (Lovelock and Wirtz 2011, 195.)

Communication tools are categorized into personal communications and impersonal communication. When looking at appendix 1, personal communications includes selling, customer service, training, telemarketing and word-of-mouth. This means there is a personalized exchange of information from both parties. Whereas impersonal communication is a tool of communication that caters larger audience and there is just one direction of delivering the information as characterized by advertising, sales promotion, publicity and public relations, instructional materials and corporate designs. (Lovelock and Wirtz 2011, 202.)

Messages are delivered using different medium of communications which will be discussed further after identifying them. The first medium of communication is through *traditional marketing channels* namely advertising, public relations, direct marketing, sales promotion, personal selling (Lovelock and Wirtz 2011,196). The second medium of

communication is through *interactive marketing channels* using digital and electronic devices such as mobile communication and not limiting to internet use (Fill 2011, 351). And lastly, message are delivered through the *company's own service delivery channels* (Lovelock and Wirtz 2011,196).

Traditional Marketing Communication

Advertising is the use of paid media like TV, radio, magazines and newspapers, billboards, posters, electronic message boards and so on in delivering company's messages. It is the most dominant form of communication where aims to grab the attention of customers or prospect customers, provides information, and to persuade or remind about the offering. The amount of advertisements of today keeps people less reactive to messages it tries to deliver, thus, company need to be more creative in advertising their offerings. (Lovelock and Wirtz 2011, 196-197.)

Public Relations whose activities in conveying message through sending out news releases, holding press conferences, conducting special events and sponsorships. This is to give a positive image for the company that stimulates the interest of the public as well as maintain its good relationship with employees, customers and the community (Lovelock and Wirtz 2011, 197).

Direct marketing enables the company to send personalized messages to customers through text messaging, emails and direct mails. This communication tool gives high regard in respecting customer's choices in terms of what messages they want to receive and their want to participate.

Sales promotion is associated with incentives. It includes activities like giving coupons, discounts, samples and competitions with prizes to increase the purchase volume and the frequency of purchase.

Personal selling is an individual approach in educating customers about the offering either through face-to-face or telemarketing.

Trade shows is a good promotional tool in reaching other business and prospect customers and also an opportunity to see the competition. It is a public event conducted in a common place where companies have their individual booths to promote their offering and accommodate inquiries with the aim to attract buyers. (Lovelock and Wirtz 2011, 197-198.)

Interactive Marketing Communication

The use of internet, mobile communication and other digital applications and facilities are the growing trend these days. It is inexpensive, convenient and fast way of delivering messages (Linton and Donnelly 2009, 174). Interactive marketing communication enables the participants to respond to messages, share knowledge and create content, thus creating a dialogue that develop the relationship between customer and company or company to company. Traditional marketing communication on the other hand follows a passive one-way communication. (Fill 2011, 351.)

Search engine marketing. People type a particular site or address using search engines such as Google, MSN search and Yahoo that displays a result in a rank order. The more the websites are visited, the higher the rank it is positioned in the result lists. (Fill 2011, 351.) The company's website therefore should be of high quality content, easy to use, quick to download and frequent update of contents. Company's website is the company's virtual point of contact with the customers. Websites provide information about the company and the know-how in using the offerings. It is also where consultation, inquiry and placing of orders take place. (Lovelock and Wirtz 2011, 200.)

Email marketing. An email messages can either be directed to target groups or individuals or can be personalised to meet the specific needs of an individual. To manage an email, an outbound email is a message sent to recipients and the other is the inbound email that receives messages from customers or other stakeholders. It is used by companies to attract and retain customers. (Fill 2011, 357.)

Short message services (SMS). Widely known as 'texting' is an extension of email communication that delivers information in a timely way, low in cost and a high level of user control in terms of target, time and content (Fill 2011, 358).

Apps. A mobile application that strengthens user's brand awareness and frequent interaction that is available anytime anywhere. Apps are downloaded to mobile devices such as smartphones. (Fill 2011, 358.)

Widgets. A stand-alone application that enables interaction with another widget owner. The application can function as calculator, real-time information or weather forecast and it is one way of advertising a brand and delivering online public relations via affiliate marketing. (Fill 2011, 359.)

Affiliate marketing. Text links and advertisements placed on a network of websites and when clicked are taken to the host site. Only when it results to a sale, an affiliation receives a commission. (Fill 2011, 359.)

Augmented reality. An online mirror by mixing the real world with digital generated imagery of information. For example changing clothes and having to see what they look like without the actual action of trying on clothes. (Fill 2011, 360.)

Electronic word-of-mouth. Viral marketing, podcasts, web logs or blogs, twitter, RSS feeds are used to reflect personal, electronic recommendation and endorsements. Emails are used in sending *viral messages* where it captures the interest of the receiver who feels to send it to others. The process of delivering an audio content using the internet to iPods, MP3 players and computers is called *podcasting*. Podcast materials are pre-recorded and time-shifted that allows listeners to use it conveniently. It gives the listener a choice to select the material he want to listen to and play them anytime and as often as he want. *Web logs* are known as personal online diaries on documentaries of someone's life, commentary and opinions, expression of held emotions, articulating ideas through writing and forming and maintaining communities. In *microblogging* where twitter is commonly known, is a short format of blogging that contains short messages,

a post of 140 characters shared among network of followers. *Really simple syndication (RSS)* news content that are distributed in the web. Updates of each feed consist of headlines, summary of the content and the link to the article. (Fill 2011, 362-368.)

Social media is a broad range of web based application that allows the creation and exchange of user generated content (Fill 2011, 364).

Social networks are online communities about people who share their lifestyle and experiences using the internet. Facebook, MySpace and You tube are one of the most commonly used social network in recent years. It reflects more the voice of the consumers rather than the brand owners. (Fill 2011, 362-363.)

3.3.3 Communication via Service Delivery Channels

Messages are transferred through service outlets, frontline employees, self-service delivery points and word-of-mouth, to which messages are from outside the company's sources.

Service outlets are important message sources. The architecture and design can influence the experience of a customer.

Frontline employees are those with direct contact with customers, providing service through face-to-face, emails or by telephone. Customers depend on the help of the employee about the use of the offering and in satisfying their needs in general.

Self-service delivery points are websites, vending machines ATM's. Self-service delivery should have clear instructions on how to use them.

Customer training. Providing educational training for customers on the use of the service therefore maximizing the offering for their benefit.

Word of mouth is recommendation of customer to other prospect customer. A positive word of mouth can be associated with how satisfied the customer with the company's

service. Negative word of mouth in the other hand could mean dissatisfaction. word of mouth influences the decision of those who get to hear about it. (Lovelock and Wirtz 2011, 203-206.)

3.4 Summary of the theory

Value proposition is the heart of strategic marketing planning that should be incorporated in every business activities regardless of the size. A company may opt not have a value proposition but it misses the opportunity of increasing its sales, understanding and enhancing its performance and offerings among other benefits.

In creating a value proposition, it is important to identify first the value-creating services that are offered to customers. In gaining understanding about the criteria a customer is seeking to satisfy their need and solve their problems, that process result an enhancement of the service offering with the efficient use of limited resources. Customers pay willingly when a purchase is worth it, and in return an income for the company. That simple process of exchange illustrates the flow of value between parties. Knowing the customers in a deep level is essential in the creation of value proposition. It is important also to consider that every customer is different. One may highly regard a certain attribute of a service offering which could be less significant to the other.

A company may focus in single type of value proposition in creating one and map the elements using the available models applicable. And interpret the findings into a simple and clear message that will be communicated using different communicating tools from a traditional communication channel or through internet and available service delivery channel. The summary of creating a value proposition process is shown in figure 7.

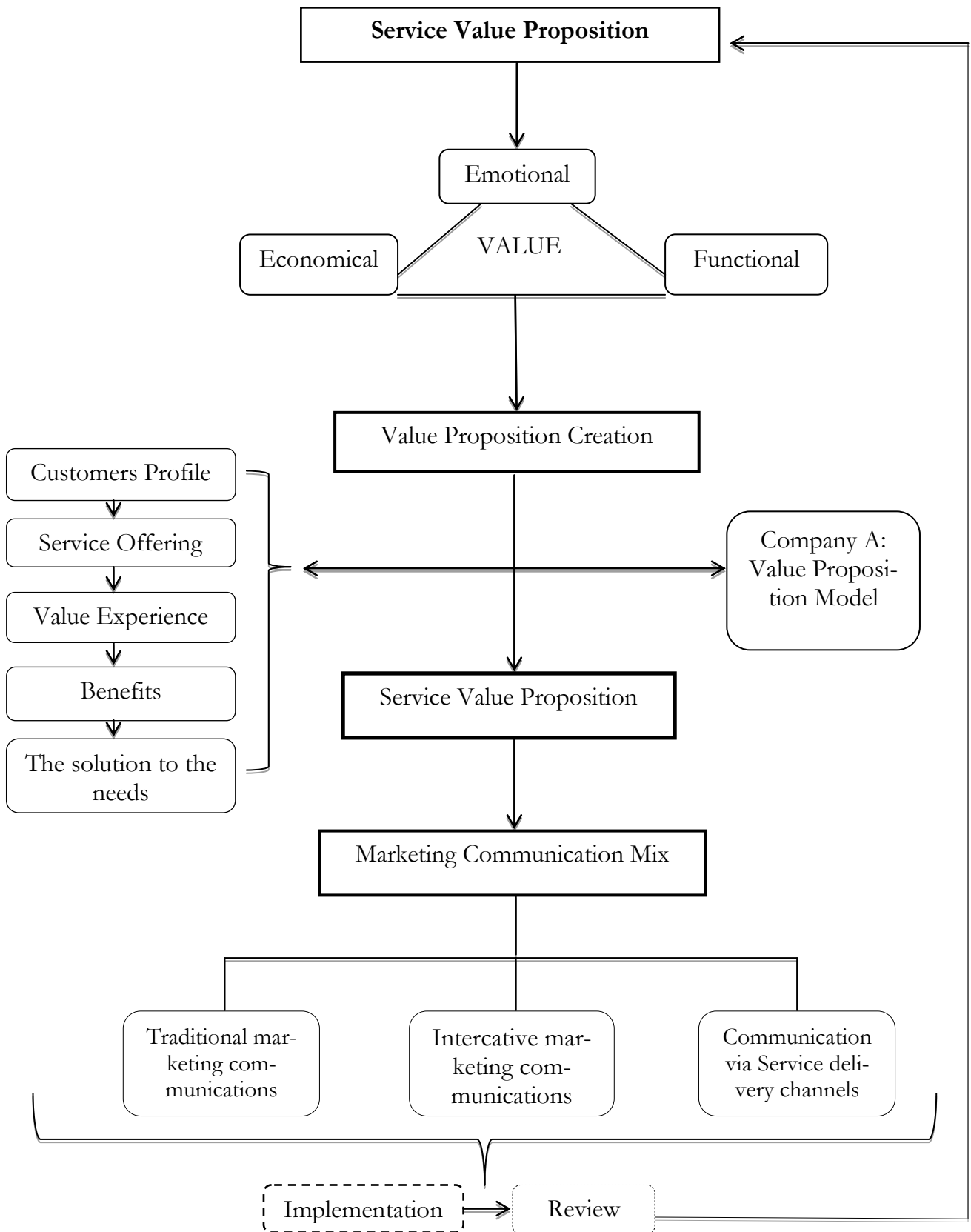


Figure 7. Service Value Proposition Process for Company A (figure by the author)

A small and new as it is, Company A sees the need and importance of a value proposition. It might not be as big as other companies or as high-profile service as others offerings, it should not intimidate the company in creating a value proposition because every single business' goal is to become successful and gain income. A room for great ideas are available and are easier to handle for small service companies. The available tools, from value creation and identification to creating a value proposition and finally delivering them to target audience is an opportunity for Company A to test its ability, strength and weakness, and limited resources to work it out for success.

4 Research on Company A's value creation

This thesis aims to create a service value proposition for Company A and it starts with creation of value from the services that it offers to its customers. The company's marketing decision to focus on customers and what the customer value from the offerings is crucial in the success of the business when implemented properly (Fill 2011,188).

Value creation requires a deep knowledge and understanding about the customers. This is not an easy step, it is a series of building a relationship with the customer over-time. With the kind of work Company A has, cleaning service, the direct contact with the customers is a good way to evaluate their preferences and activities necessary in identifying and creating value to the services.

The objective of the research determines what method to use in collecting data (Ghauri & Gronhaug 2010, 104). The collection of data can either by qualitative or quantitative method or a combination of both depending on the requirement of the research. The research methods are explained further in chapter 4.1. In the case of Company A, to create value from the services it offers, qualitative method of collecting data is suitable and reliable research method to use. This is done through a face-to-face interview and an email interview conducted to random respondents.

There were challenges in gathering information particularly in an email interview, the response might come beyond the expected time-frame and the volume of information is less than when it is a face-to-face interview. A face-to-face interview is a highest form of reliability in terms of gathering information, the direct interaction with the respondent provides first-hand information that is irreplaceable. Overall, the opportunity of talking with the customer gave a deep insight in what they really value.

4.1 Research Method

This thesis addresses the research problems: What is the service value proposition for Company A and its relevance to success, why is there a need for Company A to have a value proposition, what does Company A's value proposition mean for the customers and how will Company A communicate the value proposition to the customers. The careful use of research method is important in data collection to get relevant information necessary in obtaining answers to the research problems. The methodological approach in research are the quantitative and qualitative method. In quantitative method, findings are statistically analyzed while qualitative method, findings are collected through interviews and observations (Ghauri & Gronhaug 2010, 104).

The research method used in this thesis is the qualitative method since the topic requires a focus in understanding the opinion and experience of respondents. The collection of primary data in this case is in the form of an interview in two different ways, an email interview and personal interview. This interactive way of collecting data provide rich and accurate information which are accessible only from the participants who had a direct experience with Company A's services. The interview is conducted in a semi-structured way where respondents, topics and issues were pre-determined (Ghauri & Gronhaug 2010, 126). The research recognizes the importance of literature as a reliable source in providing relevant theories. The comparison on widely known written theories among recognized authors helped validate the significance of the information to the research topic. The quantitative research method is considered irrelevant in gathering information in this case.

There are challenges in gathering information for the thesis, first is on how to look for an information that are reliable and relevant to the topic. The second is how accessible are the informations considering the limited time available. And lastly, when to say that the volume of information available are enough to proceed and interpret the result.

4.1.1 Interviews

In addition to theoretical information gathered in the study, interviews were conducted to respondents who have direct experience and knowledge with a specific company. In an interview, the respondent freely processes his thoughts into words on a given topic familiar to him, thus producing full and accurate information. The interview is conducted via mail, telephone and in person (Ghauri & Gronhaug 2010, 125). In this research, the interview was done in two different ways, through personal interview and an email interview. The personal interview is an individual face-to-face exchange of question and answer. On the other hand, email interview is the method of collecting data where questionnaires are sent electronically to respondents. Therefore, first-hand information produced by this type interview is considered to be the most reliable source of information.

There are two types of interview in research, the structured interview and the unstructured interview. The structured interview uses a standardized set of questions that requires fixed responses and systematic samplings for quantitative analysis. The unstructured interview or in-depth interview, the interviewee is given the freedom to express his opinion, belief and reaction about the topic led by the interviewer. (Ghauri & Gronhaug 2010, 126). Saunders et. al. (2009, 320) described another type of interview, the semi-structured interview where topic and issues to be covered are determined beforehand which allows the interviewer to omit or add questions during the interview. (*Semi-structured interview and unstructured interview provides information about, personal, attitude, while structured interview-* distinguish) In this research a semi-structured type of interview, during the interview proper, interviewer carefully omitted or added questions to minimize bias.

Personal Interviews

The respondents for the personal interview were customers of Company A and are identified as respondent A, respondent B, respondent C, and respondent D respectively. A permission of participation was asked from the respondents personally and by

short message service or texting prior to the scheduled date of interview. The interviews were conducted at residence of each respondent which took place an hour prior to the scheduled working time with them with the aid of a digital recorder. The interview lasted from 35minutes to 60 minutes. After each interview comes the process of transcribing the details of the conversation to preserve the freshness of the information gathered. There were four personal interviews:

1. Respondent A is Janna of Helsinki. The interview took place on 2nd of May 2013, 8 o'clock. A mother of three children and currently on a parental leave.
2. Respondent B is Annika of Helsinki. The interview took place on 2nd of May, 17.08 o'clock. A divorced mother living with her 9-year-old daughter.
3. Respondent C is Liina of Helsinki. The interview took place on 7th of May 2013, 9.55 o'clock. A mother of a two-year old girl and an expectant mom of twins.
4. Respondent D is Kati of Espoo. The interview took place on 7th of May 2013, 12.52 o'clock. A mother of two daughters and currently on a parental leave.

The interviews started smoothly with a regular conversation for both the interviewer and the interviewee which is usual before the start of the work with them. Most of the customers of the company are families with children. Mothers who chose to be at home to take care of their babies were readily available for interview. The challenge came as the presence of their small children caused interruptions during the interviews.

Email Interviews

Questionnaires were used to conduct an email interview with respondents D and E. A short message and a phone call were used to ask permission for their participation. This is a cost efficient way of gathering information as well as giving the decision for the respondent to answer the questions at their own time of convenience. There were challenges experienced in conducting an email interview with the respondents, first, it

is time-consuming. The chance that respondents might forget is probable, therefore reminding them would be necessary. Second, respondent's possibility of misunderstanding the questions and therefore skipping some questions. To minimize such situation, questionnaires should be brief and clear. The email interview respondents were:

5. Respondent D is Miia of Helsinki. Answered questionnaires were sent back on 2nd of May 2013. A mother of three and currently on a paternal leave.
6. Respondent E is Riikka of Sipoo. Answered questionnaires were sent back 8th of May 2013. A working mother with a young adult and teenage daughter.

It was mentioned that Company A provide household and office cleaning services, but the owner of the office was not subjected for an interview, because of the question of availability and Company A has only one office client and the company is now facing financial trouble causing problems for future cooperation with them.

4.2 Reliability and Validity

Reliability is the extent to which techniques in collecting data will yield consistent findings and similar observations (Saunders et. al. 2009, 600). The examination of trustworthiness is crucial in ensuring the reliability in a qualitative research. Validity is the extent to which data collection methods are accurately measured the way they should be measured (Saunders et. al. 2009, 603). The choice of paradigm assumption is affected by the researcher's perception of validity of study, thus developing their own concept of validity generating appropriate terms of quality, rigor and trustworthiness (Golafshani 2003).

Reliability and validity goes hand in hand in qualitative research, Lincoln and Goba (1985 Golafshani 2003) explained that validity is sufficient to establish reliability. These two factors should be incorporated in designing a study, analysing results and judging the quality of the study. Research findings have to be persuasive and worthy enough to get an attention, therefore *credibility*, *neutrality* or *confirmability*, *consistency* or

dependability and *applicability* or *transferability* are essential criteria of quality in a qualitative research. (Golafshani 2003.)

The research interviews were conducted through face-to-face and email interview with a uniform set of questions. Similar interview setting in all four face-to-face interviews where the young child was with the mother, this caused interruption that affected the focus of the respondent during the interview. A short conversation would constantly be given to the child that at some point the questions would be repeated and several pauses were considered. Otherwise all the interviews generated almost same outcome, true and unmatched. The conversation was recorded and transcribed immediately omitting the interruptions. The respondents have planned activities after the interview, therefore time constraints affected the depth of their answers. In the case of an email interview, it was difficult to assess if they understood some of the questions well enough that they either answer briefly or skip the question unlike in face-to-face interview there is the possibility of clarifying questions or answers to avoid misinterpretations. The time they are willing to spend on answering the questions can also affect their answers, brief and at times redundant. Bias in the interview is possible because the interviewer is one of the personnel of Company A and respondents might feel pressure to give an answer pleasing for the interviewer to hear. Respondents are not familiar with each other, even though they became customers of Company A through recommendation, this is to ensure uniqueness of information.

4.3 Findings

Company A was the chosen case company in this thesis, as a new entrant in the market, there are a lot of trial and errors but this was not the main concern. The interest in researching about value came up with the triggering question, how to increase the demand of the service.

4.3.1 The service value of Company A

The exchange that takes place in the event of purchase does not determine the value of the service rendered as in the case for Company A. The experience in the use of the service is a good source of information as to what really is the value. Company A undergoes the process of creating a value proposition from the gathered information during the interviews, each process will be referred to the questions seen in attachment 3 as well as from the respondent's answers to them. The respondents (refer to chapter 4.1.1) will be identified as follows, first respondent will be A, second will be B, third will be C, fourth is D, fifth is E and sixth is F.

Customer Profile

The first process in building a service value proposition is to create a customer profile, understanding who buys Company A's cleaning service. The first eight questions focuses on the size, activities and home environment of the family.

The first respondent is A, her family lives in east Helsinki, they have three children, an 8 year-old boy in second grade, 5 year-old girl in pre-school and 2 year-old son. Now she is at home with the youngest child but will be going back to work in autumn of this year. The father is frequently travelling because of the nature of his work. The family currently do not have a pet, A explains that "*when we travel it's always a problem...we have to know where to put the animal*" but would consider when kids are older. As a family, they go out, swim together and travel abroad. They have been living in the area for about three years now, it is near from subway and a big shopping mall that she describes "*gave me a power when I had a bad day*". The place is a couple of blocks to school which is convenient for children, the neighbourhood is good though she wishes that in the future there could also be more families with children living in their area. A would like to go back horseback riding when the kids are older.

B is the second respondent. She lives in east Helsinki with her 11-year old daughter and goes to work in city center. The family do not consider having pet because of allergy though they are taking care of friends' dog when it needed a place. They have

been living in the area for 10 years now, B said *“I like the nature giving them the possibility for outdoor sports and peaceful surroundings”* she also considers the neighbourhood to be children friendly and the safety of the road to school is important. *“Public transportation is good here”* referring to bus connections to the city which is near the shops. B describes her family activity with her daughter, *“hang-out together, play together and usual home and girl stuff”*. They like to travel three times a year but would spend their summer in summer cottage if not somewhere. B likes reading and jogging which she often does after her work.

C is the third respondent. Her family lives in Helsinki, they have a 2-year old daughter and will be expecting twins this summer. The husband goes to work in city center but often travels. The family does not have pets and would not consider having one. As a family, they like going out and dining, playing and meeting friends. The structure of the area is what she likes about living in their place, *“all the services, the sea being close, the type of people that lives here, transport connections are good”*. The family travels abroad three times a year and spend only few times in their family summer cottage. C likes to do cycling whenever she can.

D is the fourth respondent. Her family lives in Espoo with a three year old daughter and a five-month old baby. The first child goes to playschool a couple of times in a week, her husband is at work while she stays with the baby at home. The family do not have any pets at home because of allergy. In weekends, D’s family is busy in the garden or in their summer cottage with other family members. D sees that the backyard is nice for children and there are a lot of kids in the neighbourhood. D mentioned that the place offers *“good bus connections everywhere.. soon we’re going to be in between two metro stations, so there’s gonna be a lot of change in this area”*. The family travels usually 2-3 times a year, preferable in warm countries. When D has a time for herself, she likes to do painting and decorating the house and doing some landscaping in the garden.

E is the fifth respondent. She lives with her family in Helsinki. Their children are a 5 year-old son, 4 year-old daughter and a month-old baby. She now stays at home with the baby while the father goes to work. They have been living in their current home for

just a couple of years, “*we like the area very much, it is a good place for growing up children*”. When the family is together, they usually do the normal activities and household tasks including outdoor playing. E loves to cook and bake as well as doing aerobics during her free time.

F is the sixth respondent. Her family lives in Sipoo with two daughters, a 21-year old who already lives on her own and the youngest 15-year old still lives with them. The couple is working in Helsinki. The family has a gerbil as a pet and the neighbour cat comes often to visit them. Usually the family does the normal things at home together and travelling. The nature and safety of the region is important for F, “*one knows one’s neighbours*” which is good for children. The family travels 5-7 times a year abroad. While on her own time, F goes cycling, skiing and other sports 2-4 times in a week.

Service Offering

The second process is identifying the existing service offerings. Company A offers cleaning services depending on the frequency of needs, cleaning can be done weekly, every other week, monthly or even one-time cleaning. Seasonal cleaning is also part of the services offered, for example spring cleaning and window cleaning. Aside from the regular cleaning, general cleaning and so with sauna cleaning, and other particular areas that needs focus in cleaning would require additional time. Recently added service of the company is babysitting which is seen to be an opportunity since the company is working with families who have small children. The command of spoken Finnish language is not a must for bilingual families who use English language, but a plus in the field of babysitting along with experience. The company is also flexible on cancellations due to sickness in the family or travel, changes due to holidays or additional time for cleaning.

The customer base of Company A started from an acquaintance, customer X, who recommended the cleaning service to their friends who they thought would need a help in cleaning. The experience of the service was attested by one of the company’s first employee who had been working with customer X for some time prior to working

with the company. From there, the increase of demand has been continuously spreading among the customers. Economically, this has seen to be an efficient way of knowing a cleaning service, which 5 among the respondents (A,B,C,E and F) were recommended by friends, respondent D on the other hand saw a post of one of our customer in an online community “*facebook discussion group*” in their area.

There are reasons why people buy cleaning service, question number 10 was asked among respondents and they have common answer, time. But the reason on the use of time varies, to families with young children, mothers want to have their time spent with the family rather than cleaning. A explains that “*my son is at the age that it’s impossible to clean.. Carrying him all the time everywhere*”. C is having the difficulty in deciding whether to “*have time with the family or going to vacuum clean*”, these reasons are also the same with respondents D and E. Respondents B and F, who has older children, aside from having more time to spend with family, they also wanted to have more time for themselves.

Economical value

Price can influence decisions whether to buy the service or not. In answer to question number 11, respondents A, C and D considered the balance of the “*good price*” versus the reliability of the recommendation. Respondent B and F on the other hand based their decision on the recommendation of friends first, according to respondent F “*due to the nature of our job, it is crucial that there is a reliable company that we are dealing with*”. While respondent E, sees the quality of the service is more important in her decision of buying the service. Respondent A, C and D are on a maternity or parental leave, this means that the mother, usually in this case, basically is at home to take care of their young. This situation means a decrease in the financial earning of the family, therefore buying a cleaning service is “*an extra expense for us*” said respondent D. Tax credit on domestic help on the other hand is applicable for cleaning services, therefore customers can apply for the recent 45% tax credit. The tax credit scheme of the government encourages the use of domestic services to which in turn increase the employment as

well as discouragement on the use of illegal workers who performs the services. (Veronmaksajat 2012.)

The price of the cleaning service of the company started from a low-price which was eventually raised after months of trial-period. This trial-period refers to the time the customer has tried the service giving them the ample amount of time to make judgement and decide whether to continue buying the service or not.

Functional value

In answer to question number 12 and 14, schedules of cleaning are agreed between the company and the customer at their convenience, though respondent D and F would like to change their schedule in the future, as D specify that “*Wednesday or Thursday would be better time for me*”. As for respondent E, she appreciates the flexibility and “*well informed*” changes of schedules. Working in pairs is common in Company A especially when new employee is introduced and trained to familiarize her in the working environment and the task to be accomplished. Each respondent do not mind who is coming for work that day, respondent E said that makes the work “faster”. Company A is responsible of informing the customer beforehand who are scheduled to work for them.

Questions 13 asks about the respondents experience of previous cleaning service and the comparison of it to Company A’s cleaning service. Respondent B, D and F could not comment on this question because it is their first time to have a cleaning service. Respondent A had unpleasant experience from previous cleaning services, frequent tardiness, unorganized cleaning, and absence of follow-up marketing leaving an impression of “*they are not interested in us*”. Respondent C commented that their previous cleaner is “*so strict and gave you list what you need to have in your house and `these are the things we want to use*” while Company A is flexible “*you let your client choose what they want to be done*”. For respondent E, her experience with previous cleaner is the same in terms of quality, the only difference is “*with former service, it was exactly specified in the contract what kind of services will be done (for example vacuuming, mopping the floor, etc.). This was not done in current contract, however, the cleaning now includes the same tasks as before-if not more.*”

When respondents were asked about their primary concerns from the Company's performance in question number 15, there are varying opinions, respondent A is more particular about the general outcome rather than the small spot cleaners forgot to clean. While respondent B and D seeks for the "*value of their money*", the question of standard is associated in this topic, how to say that they get what they paid for? Every people have their own so-called "personal standard" in seeing and measuring things, this will be further elaborated in the value experienced by the customers. Respondent C gave a different view when asked about her concern, she would like to receive feedback "*if you feel like there's not enough time*" regarding what was done and what was left out uncleaned. Respondent E do not have any concern while respondent F appreciates more the "*attitude to make things clean instead of cleaning certain amount of hours*". The customer's concerns is a valuable information on the part of Company A, it gave them the knowledge of what was of value from their services, the area to improve and the area of strength to maintain.

Emotional value

For question 16, 17 and 18, basically, the area of needs comes down to maintaining the cleanliness and orderliness in a home setting. The challenge among parents is on how to balance their priorities now that they are faced with handful responsibilities leaving them a little time for everything, as respondent E would agree. Cleaning is always a challenge in the family of respondent A and C, it usually comes down to an argument who is going to vacuum. Respondent B and F on the other hand sees the burden of doing the cleaning "*especially when somebody is at home and doing nothing*". But respondent D have a family system that the father have to be with children while she do the household chores or the other way around, the challenge comes when she breastfeeds and the older child have temper tantrums.

For the respondent , getting a household help decreases the pressure and stress brought about by the cleaning itself according to respondent A, B, C that "*lightens the load and the days to come*" as well as the feeling of relief and easier living for respondent D, E and F.

There have been hesitations in the decision of buying a cleaning service because of the traditional societal perception that having a household help is “*only for the rich people*” (respondent A) and it is “*embarrassing to say that you are not able to clean up your house*” (respondent C) because women in the family are expected that “*we do it ourselves, we do it good and we do it quick*” thus it “*causes sometimes bad conscience*” respondent E explains. The influence of friends and the lifestyle have been slowly changing the way people perceive about buying a household help like cleaning services, therefore minimizing the guilt women feel in this situation.

Value Experience

The third process in the creation of service value proposition for Company A is the value experience. To understand the value of the service in the customer’s point of view through their experience of the service is important for the everyday decision-making of the company. Question 19 to 28 aims to extract from the respondents their experience of the cleaning service they experience from Company A’s.

Economical value experience

There have been changes in the overall routine of the family after buying a cleaning service, respondent A’s children have been more participative in cleaning especially in putting their things in place. The cleanliness and the fresh flowers for her, are the combination of a good ambiance at home. Respondent B, E and F, enjoys having more leisure time, “*I can do something else*” knowing that they don’t have to do the cleaning by themselves. While respondent C and D share common experience that it leaves them “*lesser things to do*” and “*more time for the family*”.

The respondents have thought of the risks associated in buying a cleaning service, their financial issues, trust issues and other personal issue but came to a common experience that they trust Company A.

Functional value experience

The personnel are the ones who are directly in contact with the customers, the way they deliver the service affects greatly the experience of a customer. Question number 22 is about the customers experience with the people who deliver the service to them and respondent A likes the personnel's "*humour*" and the "*good working moral*" which are elaborated by respondent C as "*polite and discreet*", "*nice persons*" for respondent D, "*honest and reliable*" said respondent E and knows how to "*respect one's own work*" commented respondent F.

More often it is convenient for customers to have the same cleaner who comes for them but the change of people usually happens when there are, adjustments from other customers, unavailability of one of the employee or when there's new employee for training. Question number 23 addresses this issue, most of the respondents understand the possibility of changes but for respondent D, she prefers one specific person to work for her although she said that in some unavoidable circumstances "*just let me know*". Respondent B added that as long as the quality of service is the same, maintaining a "*one good level of service*" it would not matter for her who is coming to clean her place.

Every individual have their own standard of what is a clean home and how they want their home to be clean, with the assigned task and performance of the company in cleaning, all of the respondent expressed that their expectations have been met, respondent B even explains that, "*someone has said to me that - how could you let someone clean for you - because nothing is good for me, no one can reach my standard. But it was reached, I'm very pleased*".

Emotional value experience

The level of satisfaction differs from one customer to another, the satisfaction experienced by all the respondents with the service of Company A brought them happiness, as respondent A would explain that she is satisfied when she is not yelling rather she is smiling. The happiness felt by respondent B could be on different levels, a big smile tells that she is happier than a regular smile. Aside from the value of getting a clean

home, the feeling of ease between the customer and the personnel is something all the respondents appreciate, as respondent C would emphasize “*that’s something I really don’t feel compromising*”.

Since Company A was recommended by friends, question number 28 asks about the trust and reliability compared to having been known from an advertisement. All of the respondent said that it was easy to decide and to trust especially when you “*see their home and hear from them*” commented respondent B.

Benefits

Benefits are always aligned with the experience of the value (Barnes et. al. 2012, 87). Company A deliver service with care and not just fulfilling the time required to do the job, this effort produces the quality customer are looking for in buying a cleaning service. The house is clean, a general and obvious benefit when buying a cleaning service but there’s more to that, respondent A get to teach her children to “*put their things into places*” as well as her mood changes, when the house is clean “*it feels like your life is in order*” she added. Respondent B shared also the benefit she experience having a cleaning service, it leaves her less stress when she don’t have to think “*I should do this, I should do that*” instead she could leave that work to somebody else and still get a good result. The responsibility on who’s going to clean is always a pressure in the family especially for the couple, respondent C explains, having a cleaning service minimizes the arguments. Aside from the benefits mentioned, respondent D added that she can do small cleaning but having someone to do the “*proper basic cleaning helps a lot*”. Respondent E and F agree that cleaning skills and the good working attitude is important in the working relationship and in general gives confidence and security for customers.

The solution to the needs

The final process in creating a service value proposition is the solution to the customer's needs. Lifestyles over the years have greatly changed, the more hectic it has become. The overwhelming responsibilities and priorities and the difficulty to find balance in different aspects is one of the problem that customers are trying to find solutions for. One of the respondent's responsibilities is cleaning, getting the house organized for the family. Cleaning is a big job that takes an amount of time and energy. Company A is a company that provide cleaning service to household, the purchase of the service has been helpful for the families in different ways. First is the stress of having to do the cleaning, through Company A's cleaning service, respondent B said that the stress was less and that it gave her more "*leisure time*" and more quality time with family as well. Second is the pressure of who's turn to do the cleaning, through Company A's cleaning service, the argument among couple in terms of cleaning has diminished as respondent C would explain that "*I don't have to do everything myself or ask my husband to do it*". Third is the question of quality, trust and reliability, Company A's working attitude and cleaning skills with recommendation of friends have earned them credibility which is relieving according to respondent F. Fourth is the guilt that customers feel because of the traditional societal pressure that women are expected to do everything by themselves, the perception nowadays has changed that society has been "*more approving*" said respondent E, and because of the influence of friends and today's lifestyle added respondent D. Fifth is the hesitation because of previous experiences from other cleaning services which happened for respondent C, the flexibility of Company A in terms of respect on the preference of the customer regarding cleaning such as the use of cleaning chemicals and materials which is important for her had made her "*happy that I can choose it myself*".

However, there are suggestions of improvement in the service of Company A from respondent A as a result of her previous experience with other cleaning service. Her first suggestion is to ensure communication that is working well especially among personnel. Second is to ask feedback from the customer after the service was rendered then make a follow-up marketing by sending an email offering like "*do you need more*

help? and “do you want to buy more service?”. Third is “give us coupons and if you have friends give this for a discount” this way “you can sell more”. Another suggestion was from respondent C that she would want to hear feedback “if there is not enough time” in cleaning especially when something is left out or that need more attention to. To be able to gather suggestions from the customer and incorporate them in the company’s activity and decision making is of value for the company.

Service Value Proposition Statement of Company A

After the service value proposition process is done, things have become clear. The next step is to develop a message called the service value statement which will then be communicated externally and internally as well. Company A is: *Your concern is our priority, through our value-led approach in delivering our service, ensuring a confident performance that enables you to express your individuality.*

4.3.2 Communication Mix

Communication is the transmission, receiving and processing of information (Clow and Baack 2010, 30). Maintaining communication is important for Company A in building relationship with customers as well as among the people of Company A to be effective in their delivery of the service.

Preferences in communication are addressed by question 29 to 33. All of the respondent uses modern mobile phones that supports services like text messaging, email, internet access and others. Respondents prefer to be contacted by text messaging which is “the quickest” while phone call “when urgent” and email “for contracts when you need to preserve” information added respondent C. Respondents are flexible in terms of the time they would be contacted. Frontline employees have direct contact with customers, the exchange of information are helpful in the use of the service and in maintaining a good relationship with them.

Customer and their experience can testify the effectiveness of the service offer, thus resulting to a word-of-mouth marketing among the current customer and the prospect

customers which has been the common case for Company A. Most of the respondents have recommended Company A to their friends resulting to a new customer, respondent B mentioned that she *“gave recommendation about you and I don’t know if something happens but I can still do the same to my friends”*. The use of social network is an efficient way to reach prospect customers like in the case of respondent E who came to know about Company A through an online community, facebook, which was posted by another customer of Company A. Respondent A as well expressed her willingness to help friends who need cleaning service through her account in facebook, *“give me message, message that you want us to post in facebook”*.

When looking for a cleaning service, respondent’s immediate source would be friends and the internet. When asked about their opinion of flyers coming into their mail box, most of the respondents say that the flyer usually end up in the trash, respondent C said that she has *“no advertisements”* label in her mailbox.

4.4 Conclusions

In this thesis, creating value service proposition means focusing the activity of the business in articulating the identified value experienced by the end users of the service. This strategic marketing activity does not limit to bigger companies, medium and small business as well benefit in adapting the creation of a service value proposition. The process and tools were studied and applied according to the requirement of Company A in creating a service value proposition.

Value proposition is associated to the success of a company, this might be true but there are conditions to that. Value experienced by a customer is different from value created by the company for the customer to which the former is more reliable concept than the latter. The content of the service value proposition is important to be clear, honest and true, because this affects the decision of the people involved in the delivery and purchase of the service. The service value proposition is formulated for a purpose, therefore, it should be communicated and implemented properly.

It is found out that at first, Company A was not sure about the meaning and relevance of having a service value proposition, until the collaboration with this study. Company A services were rendered more on assumptions, although the flow of communication was good, still a deep knowledge on the value experience of the customer was unknown. Through the interviews these experiences were revealed, generally, respondents were satisfied on how well the cleaning is done at their homes regardless on their differences in the definition of what standard is. The cost is incomparable to the benefits experienced from the service, respondents can spend more quality time with their families, they are able to do other important things, making them feel more relaxed, lesser stress and happy. The trust and reliability were easy to build, aside from the testimonies of friends about the company, the good working attitude of the personnel gave them more confidence and security. The flow of communication between the customer and the company has been effective and efficient. To focus on the value experience of the customers and efficiently utilize them will bring success for the company.

5 Discussion

The central role of a business is to create and deliver its value proposition, it is one way the business can prosper. Failure to create and deliver the value of the offering to customers will bring failure to the business. (Barnes et. al. 2012, 183.) The aim of this research was to create a service value proposition for the case company, Company A, and find the relevance of the value proposition in the success of the business. In the case of Company A, who is rendering a cleaning service to its customers, it is crucial to deliver the service with utmost care, providing worth from the cost they have incurred. This worth are measured by the benefits they experience, thus value is equal to the benefits acquired from the acquisition of the service.

Company A is confident in performing the tasks with excellence, this has not only brought the customers the satisfaction of having a clean home, but also the expected, augmented and the potential benefits they experience in terms of economic, functional and emotional. The opportunity of doing the research and to hear what the customers feel and experience is genuine that would not be any way be known if the interview did not materialize.

To create a customer profile is to understand who to give the service to and how the service will be performed according to the preference and standard of the customer. This is crucial in the everyday decision-making of the company. Not a human is identical in nature, so as the needs, preferences, and satisfaction levels of the customers. The knowledge about the customer gives the company an opportunity to evaluate the service and tailor them according to their needs. Having a cleaning service does not mean the house will be cleaned in all areas, there are also factors that are to be considered such as the hour agreed to accomplish certain task which is in balance with the financial capability of the customer, and the need - which refers only to the areas which the customer wishes to be cleaned regularly. Given that common setting, it is the basis for the value experience of the customer regarding the service of Company A. This has generated common result among the respondents stating that they were all satisfied

with the service. This means that the customers experience is worth the price and time in buying the service.

The value experience of the customers helps the company create and maintain focused activities that serves the customer profitably, that explains the need of Company A of a value proposition. When the fulfilment of the needs were satisfying, customer are willing to be part of the company through giving testimonials to friends about their experience of the service thus an increase on the demand of service for the company. Value-focused activity plus the value experience of the customer and their recommendations equals to a new customer. One of the building blocks of value proposition creation is the customer experience (Barnes et. al. 2012, 23). This is how service value proposition of Company A is relevant to its success.

Figure 7 illustrates the service value proposition process for Company A. It starts with the creation of value in three dimensions, the functional value, economical value and the emotional value but would be more meaningful when integrated in the process of creating a value proposition. Creating value according to the company's view as to what is valuable for the customer is useless because value is something that belongs to the customer, it is unique and intangible. The aim of the interviews with the customers is to help the company understand and have a deep insight as to what is the value from the service they are offering. The relevant information gathered are handed down to Company A for further study and analysis. When the relevant data is all collected comes the categorizing and analysing. The service offering and the value experience are categorized according to economic, functional and emotional. The task was rather challenging but gave a clear picture of what customer think about the service. At some point, personal interview is not sufficient in knowing about their experience, regular interaction with them along with observations could give a full view of the experience, but this was not possible in the research due to limited time. To summarize the last part of the value proposition process, respondents that Company A has been the best solution for the respondent's problem in terms of cleaning and other cleaning-related concerns justified by the economic value experience, functional value experience and the emotional value experience.

The current communication used between the customer and Company A have been efficient and convenient, it is more personalized which is through email, phone calls and text messaging. Respondents expressed also their preferences in terms of contacting them, this is important in maintaining good relationship through exchange of service-related concerns.

During the research process, certain limitations have been encountered. First of all, is the limited time versus other responsibilities, the balance between work, family and school has been challenging. To have support and understanding in your situation is very important in the accomplishment of any kind of work. Second is finding the right respondents, their availability and situation is a factor to be considered, knowing that the possibility of interruptions could affect the quality of the information. Finally, technical problems was encountered during the first interview, this resulted to dismissal of the first interview, thus looking for another respondent. But overall, the aim of the research went well.

5.1 Suggestions

For suggestion, Company A should proceed in making an implementation plan specifying and detailing the action that needs to be accomplished as well as the timing. After the plan has been put into action, the company should take time to review the result and reflect on them and again repeat the process. The process can be done yearly for update in order for the company to adopt with the constant change of its environment.

In addition, a study and research about the market is recommended for the company to have a more effective business decision making.

Overall the research has been successful in the sense that customers of Company A has been more willing to participate and share their experience. This is a good indication for the future, that they want to be a part of the company and not just a mere customer and Company A should take advantage of that privilege to improve for success.

References

Anderson, J., Narus, J. & van Rossum, W. 2006. Customer value Propositions in Business Markets. MyNet. Libraries. Database and Services. URL:

<http://web.ebscohost.com/ehost/pdfviewer/pdfviewer?sid=d0ccd2ad-d579-4e6d-ba34-f7405a05eb73%40sessionmgr115&vid=6&hid=122> Accessed: 27 Feb 2013.

Barnes, C., Blake, H. & Pinder, D. 2012. Creating & Delivering Your Value Proposition. Kogan Page Limited. Great Britain and the United States.

Clow, K. & Baack, D. 2010. Integrated Advertising, Promotion, and Marketing Communications. 4th ed. Pearson Education, Inc. Upper Saddle River, New Jersey.

Fill, C. 2011. Essentials of Marketing Communications. Pearson Education. London.

Fitzsimmons, J. & Fitzsimmons, M. 2011. Service Management. 7th ed. McGraw Hill International Edition. New York, New York.

Ghauri, P. & Gronhaug, K. 2010. Research methods in Business Studies. 4th ed. Pearson Education Limited. Essex, England.

Grönroos, C. 2007. Service Management and Marketing. 3rd ed. John Wiley & Sons Ltd. Sussex, England.

Golafshani, N. 2003. Understanding Reliability and Validity in Qualitative Research. The Qualitative Report. <http://www.nova.edu/ssss/QR/QR8-4/golafshani.pdf> Accessed 18 May 2013.

Hope, J. & Player, S. 2012. Why, When and How to use 40 tools and best practices for superior business performance. Beyond Performance Management. Harvard Business School Publishing. Massachusetts.

Kotler, P. & Armstrong, G. 2012. Principles of Marketing. 14th ed. Pearson Education Limited. Essex, England.

Linton, C. & Donnelly, R. 2009. Delivering Customer Value through Marketing. Elsevier Ltd. USA.

Lovelock, C. & Wirtz, J. 2011. Services Marketing. 7th ed. Pearson Education. United Kingdom.

MacDivitt, H. & Wilkinson, M. 2012. Value-based Pricing. McGraw-Hill Companies Inc. United States of America.

McDonald, M., Frow, P. & Payne, A. 2011. Marketing Plans for Services. 3rd ed. John Wiley & Sons Ltd. West Sussex, United Kingdom.

Mullins, J., Walker, O. & Boyd, H. 2008. Marketing Management. 6th ed. McGraw-Hill Companies Inc. New York.

Osterwalder, A. 2012. Achieve product market fit with our brand-new value proposition canvas. <http://www.businessmodelalchemist.com/> Accessed: 21 April 2013.

Ryals, L. 2011. Value Propositions. MyNet. Libraries. Database and Services. URL: <http://www.warc.com/Content/PrintViewer.aspx?MasterContentRef=f586674b-34a61b9b9b8d0-d1885a768f0b&q=value+proposition> Accessed: 27 Feb 2013.

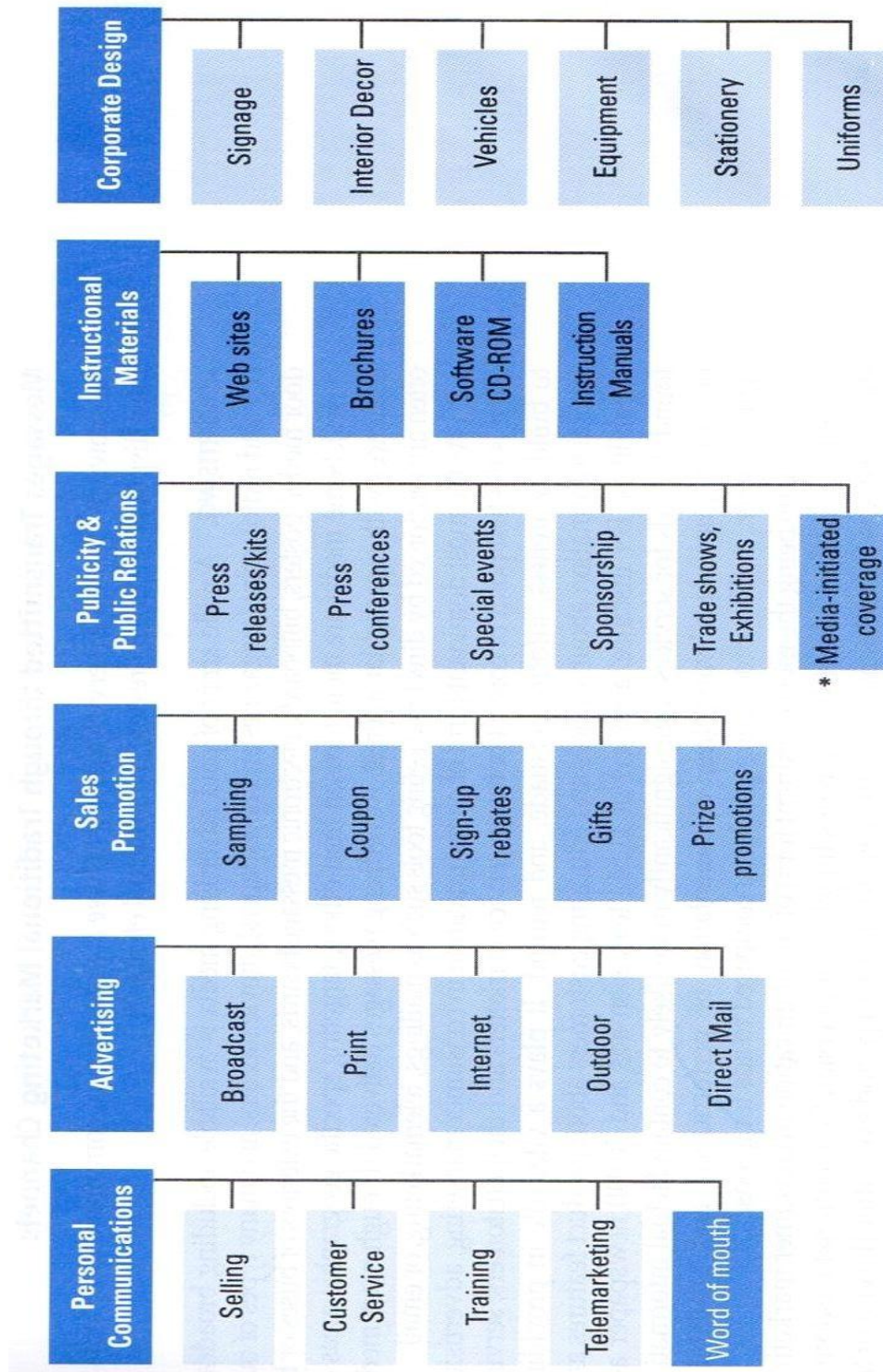
Saunders, M., Lewis, P. & Thornhill, A. 2009. Research Methods for business students. 5th ed. Pearson Education Limited. Essex, England.

Sawhney, M., 3.2.2010. Mohan Sawhney on Customer Value. Video. <http://www.youtube.com/watch?v=hvMuKlRc6Ik> Accessed: 20.4.2013

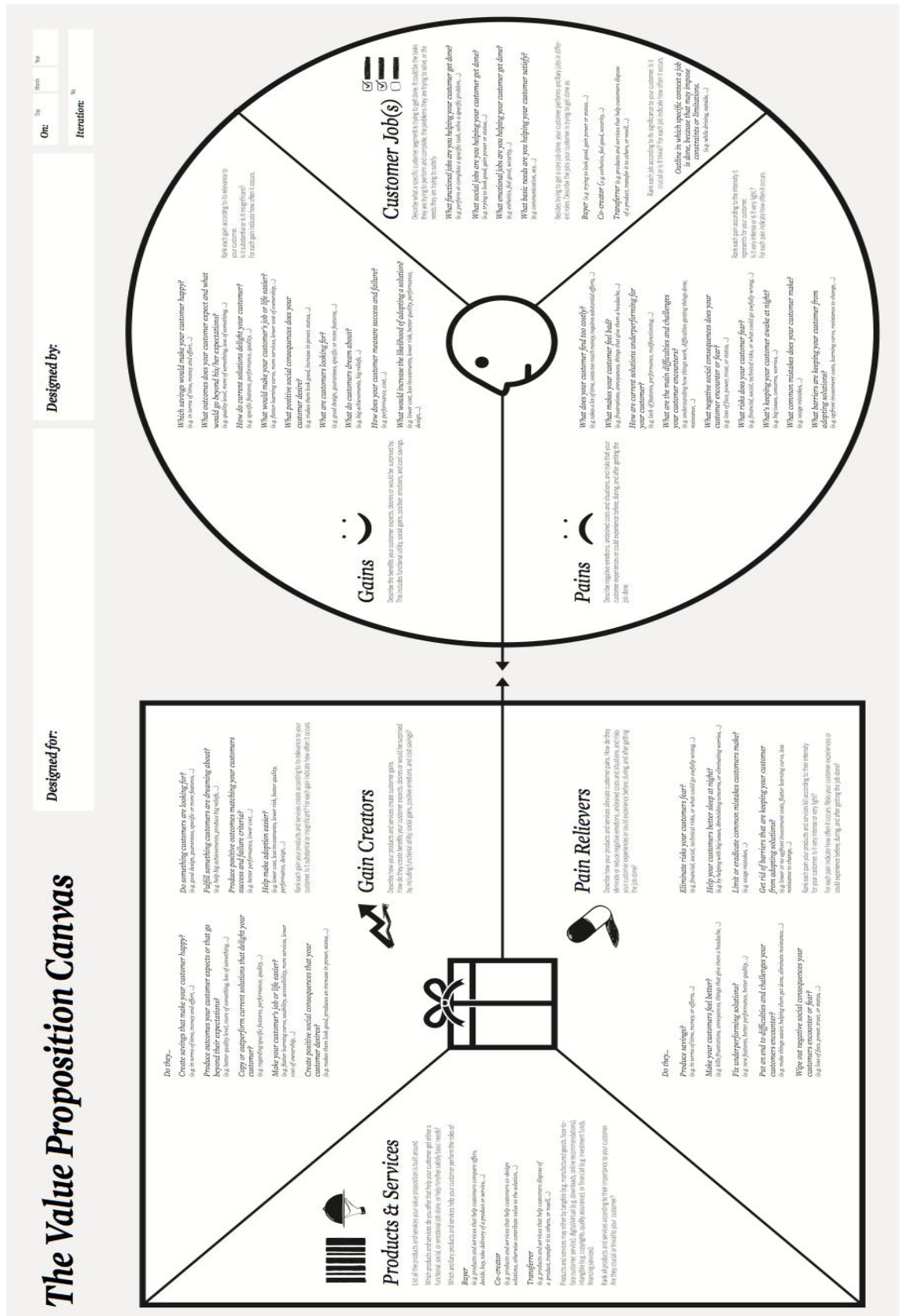
Veronmaksajat Keskusliito Ry. 13 December 2012. Kotitalousvähennys. URL: <http://www.veronmaksajat.fi/omatveroasiat/kotitalousvahennys/> Accessed: 10.5.2012

Attachments

Attachment 1.



Attachment 1. Marketing Communication Mix (Lovelock and Wirtz 2011, 195)



Attachment 2. The Value Proposition Canvas. (Osterwalder 2012.)

Attachment 3.

Questionnaires

Customer Profile:

1. How many members of the family do you have?
 - How old are the children?
 - Are they still attending school? Are they living with you?
 - Do you have pets?
2. Does the father and mother of the family still go to work? In what city area?
3. How long have you been living in this area? What do you like most about living here, the neighborhood? for growing up kids? the accessibility for facilities and shops?
4. What is your favorite hobby? When do you usually do them and how often?
5. What is your past time with family like? What do you do together?
6. Do you like to travel abroad? How often do you travel in a year?
7. Finnish are known for summer cottages. Do you happen to own one and how often do you spend your time in your summer cottage?
8. With the four seasons we experience yearly in Finland, what is the season you like best and why?

Service Value Proposition Model

- a. Service offering

Economic Value:

9. How did you know about our service company?

10. What are the factors that make you decide that it is time to have a housekeeping service?
11. In what way the prices of the service influence your decision of buying from the company? Does the price outweigh the benefit of the service?

Functional Value:

12. Has the schedule been convenient for you? And in what instance it is not convenient for you?
13. Have you bought any cleaning service before? If yes, can you state the differences from our service? Is there anything we can learn from them?
14. Does it matter for you if we work in pairs sometimes? When we perform the service while you are at home, how do you find our moving about, does it bother you?
15. What are your primary concerns from our performance? On how we do our service?
16. Are there any challenges or difficulties you have encountered before that were eliminated after you have bought from our service? Can you name them?

Emotional Value:

17. What does it mean for you to get a household help?
18. Is the service considered to be one of the things you have been wanting to have and for how long?

b. Value experience

Economical value experience:

19. What are the risks you have thought in buying a cleaning service? (in terms of financial, emotional, honesty, confidentiality, culture and beliefs and so on.)

20. Were the points of contact, like email, phone or by SMS easy for you? Do you prefer specific time in contacting you?

Functional value experience:

21. What was the impact in your daily or weekly routine having a household help?

22. What are the qualities you appreciate among the staffs? What are the qualities that you expect the staffs to show or behave?

23. There are instances that we have to change or add staff, do you prefer to have the older staff or it does not matter? What is your suggested preference?

24. What were your expectations before we started the housekeeping service in terms of the cleaning itself? In what particular way did we meet your expectation of cleanliness? In what particular way we did not meet your expectation of cleanliness?

25. Is there anything from our service you would suggest improvements in terms of cleaning, staff, schedule, and changes and billings? Kindly specify.

Emotional value experience:

26. In the service we offer, what things that we do is valuable to you?

27. How do you measure satisfaction?

28. Since our service were recommended to you, was it easier in terms of reliability and having to trust us rather than knowing us from an advertisement? If there are differences in that case, kindly state some points.

c. Communication Mix

29. In terms of cleaning requests and comments, schedule, changes, billings, the support system, what medium of communication most convenient for you? (SMS, phone call, email, staff)

30. How do you find a cleaning company?

31. Among the technologies, gadgets that we have, which one do you use often?
Which one do you prefer? Why?
32. How often do you check your email? Do you have access to your email from your phone?
33. Joining a social network is one of today's generations trend like facebook, myspace and you tube. Do you also happen to use them and how often?